GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:702
ANSWERED ON:22.11.2002
CLOSURE OF COOPERATIVE BANKS IN GUJARAT
SHEESH RAM SINGH RAVI

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government are aware that co-operative banks in Gujarat arefacing closure;

(b) if so, whether the RBI has initiated any investigation in this regard; and

(c) if so, the outcome thereof and the action taken thereon?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) to (c) It is not correct to say that the co-operative banks in Gujarat are facing closure. However, some of the Urban Co-operative Banks are facing liquidity crunch subsequent to the crisis of Madhavpura Mercantile Co-operative Bank Ltd. Reserve Bank of India (RBI) has reported that it has reviewed the transactions of urban co-operative banks in government securities which revealed certain irregularities like extention of credit facilities to brokers in violation of RBI`s guidelines, violation of prudential norms for transactions through individual brokers, etc. RBI has taken several steps to strengthen the system of regulation and supervision on Urban Cooperative Banks. These include, putting ceiling on operations in call money market and bank finance against shares and debentures, increase in percentage of SLR investments in Government Securities, restrictions on interest rates on deposits offered by UCBs and investment of funds as deposit with other UCBs, etc.